SustiNet: Reforming health care delivery while guaranteeing coverage to all Connecticut residents

Presentation before the Public Health, Insurance and Real Estate, and Human Services Committees of the Connecticut General Assembly

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SustiNet in a nutshell

1. **Establishes a high-quality public health insurance plan**
   - Slows cost growth by reforming health care delivery
   - Gains critical mass with state employees/retirees and HUSKY
   - Starting in FY 2012, uninsured gain coverage
2. **Strengthens insurance markets through extra choices and increased transparency**
   - SustiNet becomes a new option for employers and individuals
   - An independent information clearinghouse provides comparative data about plan cost, quality, and outcomes
3. **Promotes sustainability by investing in prevention**
   - Obesity, tobacco, health care workforce, community-based preventive care infrastructure

SustiNet establishes a high-quality public health insurance plan.

Slows cost growth through reforming health care delivery, using three strategies.

Governance, oversight and accountability

- Self-insured plan
  - ❖ Transparency
  - ❖ Improves capacity for direct management
- Board of directors, representing providers, employers, consumers, unions, state agencies, other stakeholders
- Quasi-public agency
  - ❖ Audit, ethics, public information standards
- Capacity for mid-course corrections
  - ❖ Annual reports to Legislature address specific policy issues
  - ❖ After public notice, Board can make certain policy changes without further legislation
    - ➢ Additional anti-crowd-out rules
    - ➢ Additional safeguards against adverse selection

Strategy 1. Patient-centered medical homes

- Working with patients to help them manage their own conditions, maintaining and improving their health
- Care coordination
- 24/7 availability

Strategy 2. Health information technology

- Make HIT affordable and useful to providers, without new taxpayer dollars
  - ❖Use leverage to get good prices
  - ❖Bonding to overcome capital formation barriers
  - ❖Full functionality (labs, pharmacies, billing, etc.)
  - ❖SustiNet provides training and support
- Platform for integrating data from multiple providers into a single record for each patient (e.g., eHealthCT)
- To participate in SustiNet, physicians, hospitals, etc., must have interoperable electronic medical records by a date certain (e.g., 2015)

Strategy 3. Evidence-based medicine, without cookbooks

- Physicians, nurses, other clinicians help choose from among national/international guidelines
- Encouraged to implement guidelines, without lapsing into "cookbook medicine"
  - ❖ Reminders embedded in Electronic Health Records, but can be overridden
  - ❖ Limited "safe harbor" from malpractice liability
- Periodic quality reviews – confidential profiles, peer counseling
- Certification of high quality providers
- Payment methods can reflect evolving knowledge

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SustiNet uses the public sector to galvanize broader delivery system reforms.

- Ultimate outcome: reorienting the health care system to improve the health of Connecticut's residents
- How SustiNet achieves that outcome
  - ❖ Critical mass makes it feasible for providers to change how they do business
  - ❖ Private insurers can adapt successful innovations
  - ❖ Changes makes it easier for other health plans to implement similar reforms

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SustiNet guarantees coverage to all state residents.

Four SustiNet membership groups

1. Consumers not offered employer-sponsored insurance (ESI)
   - ❖ Premiums charged on sliding scale, based on income, subsidized up to 400% FPL
   - ❖ "Standard Plan" with benefits typical of large, private group plans
2. Low-income and high-cost consumers offered ESI that is unaffordable or has inadequate benefits
   - ❖ Current employer dollars move to SustiNet via "voucher payments," capped at current take-up rates

SustiNet membership groups (continued)

3. State employees/retirees
   - Retain current covered benefits, cost-sharing
   - Delivery system reforms slow cost growth
4. Medicaid/HUSKY families
   - Retain current covered benefits, cost-sharing
   - Increased reimbursement rates reaching, by 2016, average for large-group coverage in CT
   - HUSKY A includes childless adults up to 185% FPL (replaces SAGA)
   - HUSKY B includes adults between 185% and 300% FPL

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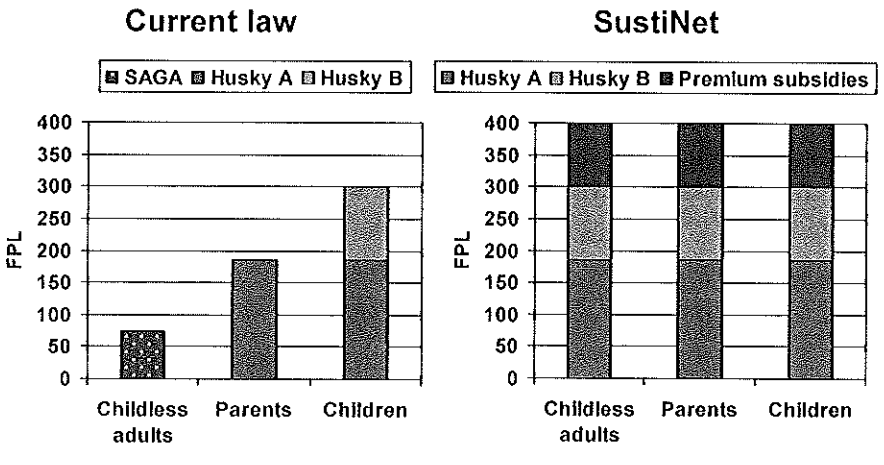
Health coverage subsidies



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Enrollment

- Auto-enrollment is projected to cover 98 percent of state residents by 2014
  - The uninsured are identified when (for example)
    - Uninsured children start school
    - The uninsured file state income tax forms
    - The uninsured seek health care
  - The uninsured can "opt out" of coverage
    - Annual informed consent process, may require in-person visits
- Increased premiums deter consumers from delaying enrollment until they get sick
  - Precedent: Medicare Parts B and D

SustiNet strengthens insurance markets through extra choices and increased transparency.

New choice for individuals and firms

- Employers can purchase SustiNet – **standard plan**
  - Start with small firms, municipalities, non-profits
  - Eventually, any employer can purchase
  - SustiNet can use current channels of sale – purchasing pools, agents and brokers, etc.
- Individuals not offered ESI can choose between SustiNet **Standard** and non-group coverage
  - Non-group market reform – apply small-group rules to:
    - Risk rating
    - Preexisting condition exclusions
- Avoid adverse selection by:
  - Same rating rules for SustiNet as for private plans
  - Strong incentives for early enrollment by individuals

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Health plan information clearinghouse

- Independent of SustiNet
- Gathers and reports comprehensive data
  - Transparency improves purchasers' ability to assess value – quality, outcomes, services, etc.
  - Same information required from state-licensed private plans and SustiNet
  - Self-insured plans have the option to participate

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SustiNet phases in implementation and financing.

Change takes time to implement wisely.

- Coming biennium – no new subsidies
  - FY 2010 – planning and infrastructure development
  - FY 2011 - state employees/retirees move to SustiNet
  - Time allows adaptation to changes in federal policy and state budget situation
- 2012-2014
  - Enrollment of the uninsured begins
  - HUSKY reimbursement begins to rise
  - Automated enrollment phased-in
  - Small employers, municipalities can buy SustiNet
- 2015 – all employers can buy SustiNet

Cost and coverage estimates

- Source: Dr. Jonathan Gruber, MIT
- Costs are stated in 2008 dollars.
- Estimates assume that, without policy change, CT would have the same coverage as in 2004-2006. That displays the effects of policy change more clearly.
- 2014 chosen for illustrative purposes, representing plan "in full swing."

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Estimated cost and coverage effects for residents under age 65, FY 2014

	Uninsured	Total health spending	Average spending on each insured person
Status quo	12%	$23.13 billion	$9,102
Proposal	2%	$23.07 billion	$8,227

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Estimated private sector effects for residents under age 65, FY 2014

	Employer spending on health care	Household spending on health care	Total post-tax income
Status quo	$11.4 billion	$7.26 billion	$79.49 billion
Proposal	$10.14 billion	$6.72 billion	$80.42 billion

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Estimated public sector costs for residents under age 65, FY 2014

	Federal funding	State general fund spending
Status quo	$1.46 billion	$3.01 billion
Proposal	$2.26 billion	$3.96 billion

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Macroeconomic projections

- Urban Institute researchers applied Dr. Gruber's findings to the REMI macrosimulation model for CT
- Key findings
  - Very small drop in health industry employment, due to less spending on health care
  - Very small increase in other employment, due to more spending on things other than health care
  - No significant net difference on employment or state GDP

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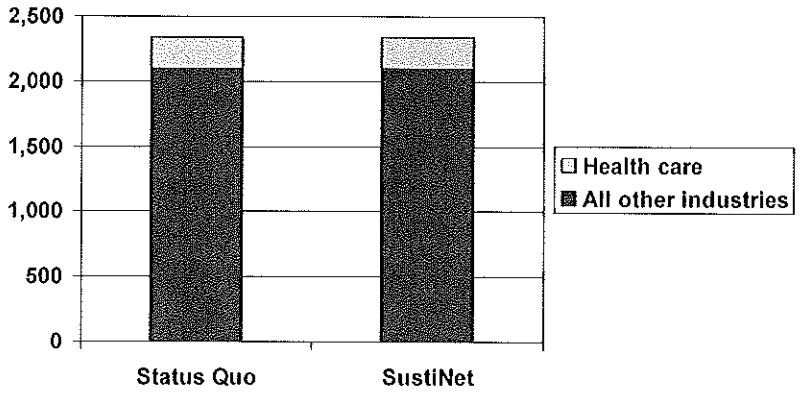
Projected employment in CT, health care vs. other industries: 2014 (thousands)



Source: REMI Macrosimulation model.

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What does CT get for $950 million in new general fund dollars in FY 2014?

- 98 percent of state residents have health coverage
- No state resident ever needs to worry about losing health insurance
- Employers and households save $1.7 billion in health care costs
- Medicaid/HUSKY reimbursement moves towards commercial levels, further reducing cost-shifting
- CT receives an extra $800 million in federal matching funds, beefing up the state's economy

Intrinsic funding – not enough

- Federal matching funds
- Individual premium payments
- Employer payments for workers who shift from ESI to SustiNet
  - ❖No increased cost to employers
- Shared responsibility payments from medium-sized and larger firms not offering coverage
  - ❖Only applies to payroll above average for 10-person firm ($318,000 in 2008 dollars)
  - ❖Employer pays 3%, workers pay 1%

SustiNet results

- All state residents are guaranteed high-quality health coverage
- Delivery system reforms and public health investments slow cost growth while improving quality
- People who like their current coverage can keep it – but a new choice becomes available
- Less cost-shifting through increased coverage and Medicaid reimbursement increases
- Employers and households realize financial gains

Questions

Increased general fund costs

2012	2013	2014
$420 million	$690 million	$950 million

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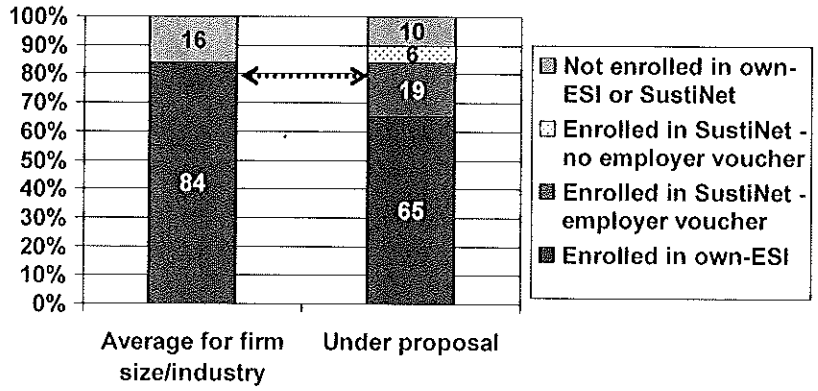
Employer voucher example: manufacturer with150 employees



Source: MEPS/IC data for manufacturers with 100-999 employees, 2006.

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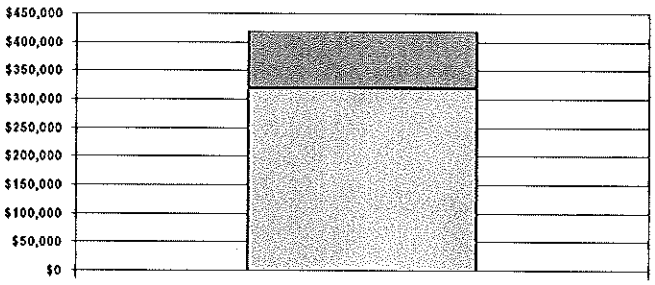
Shared responsibility example: Firm with 2008 payroll of $418,000, doesn't offer coverage



Remaining payroll	$96,000
Payment from all employees	$1,000
Employer payment	$3,000
No payment required	$318,000

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How will the insurance industry fare with a new, self-insured plan?

- Self-insurance is already a major line of business for insurers: 52% of CT workers insured by their employers were covered by self-insured plans in 2005
- SustiNet means:
  - 300,000 extra covered lives
  - Increased demand for disease management – a growing line of business for insurers
- A new information clearinghouse informs purchasers about outcomes, quality, and services. Insurers that offer good value will do well.
- Switching state employee coverage to self-insurance in April 1992 and back to fully insured in July 1997 did not affect industry employment

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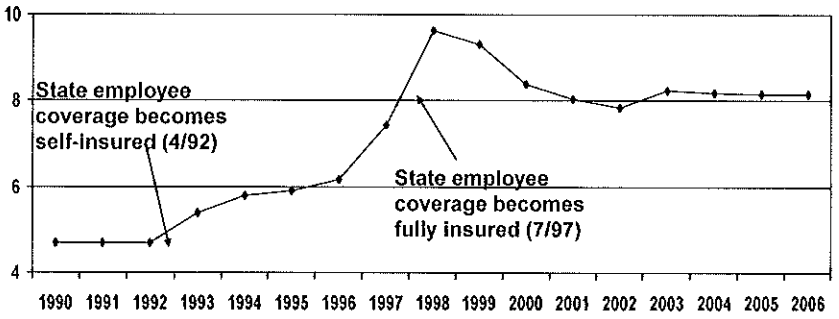
Health insurance industry employment in CT: 1990-2006 (thousands)



Source: U.S. Census Bureau, QCEW data (1990-2000 data involves a reconstructed NAICS basis)

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Other information reforms

- On annual disclosure forms, SustiNet providers list potential conflicts of interest
- Academic counter-detailing provides objective perspectives on drugs and devices being marketed by private companies
  - ❖SustiNet authorized to provide free samples of generic drugs

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